

CLARKSVILLE - MONTGOMERY COUNTY

PUBLIC LIBRARY

REPORT OF AUDIT

JUNE 30, 2008

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
REPORT OF AUDIT
JUNE 30, 2008**

Table of Contents

	<u>Page</u>
<u>Introductory Section</u>	
Table of Contents	1
General Information	2
 <u>Financial Section</u>	
Independent Auditor's Report	3-4
Basic Financial Statements:	
Governmental Funds Balance Sheet/Statement of Net Assets	5
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities	6
Notes to Financial Statements	7-14
Required Supplementary Information:	
Pension Plan – Schedule of Funding Progress for the Library	15
Supplementary Information :	
Budgetary Information	16
Budgetary Comparison Schedule – Combined General and Special Revenue Funds	17-18
 <u>Internal Control and Compliance Section</u>	
Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	19-20
Schedule of Findings and Responses	21

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
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GENERAL INFORMATION

A. General

The Clarksville -Montgomery County Public Library (the Library) was created on August 6, 1959, by an agreement between the City of Clarksville and Montgomery County. A joint City-County Public Library Board was charged with the maintenance and operation of the Public Library for the benefit of residents of both Montgomery County and the City of Clarksville. The organization functioned as a joint venture between the City of Clarksville and Montgomery County until July 1, 2004, when Montgomery County took over the funding of the Library. The Library is now a component unit of Montgomery County. Revised by-laws effective December 5, 2005, provide for all seven board members to be appointed by Montgomery County Board of Commissioners.

The Library is located in Clarksville, Tennessee, and serves an estimated population of 147,000.

B. Board of Trustees

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jane Olson	Chairman	2011
Rev. Mickey Richaud	Vice-Chairman	2009
Joe Creek	Treasurer	2011
Joanne Hackman	Secretary	2009
Cathy Stafford	Member	2011
Steve Ryan	Member	2010
David Farris	Member	2010
Peggy Taylor	Member	2009
Ann Ross	Member	2011

C. Statement of Library Collection

	<u>Total</u>	<u>Books</u>	<u>Audio/ Video</u>	<u>Microforms</u>	<u>Databases</u>
July 1, 2007	258,337	212,751	33,290	12,225	71
Number Added	12,077	9,791	2,101	185	-
Number Deducted	<u>3,741</u>	<u>3,308</u>	<u>433</u>	<u>-</u>	<u>-</u>
June 30, 2008	<u>266,673</u>	<u>219,234</u>	<u>34,958</u>	<u>12,410</u>	<u>71</u>



November 21, 2008

Board of Trustees
Clarksville -Montgomery County Public Library
350 Pageant Lane
Clarksville, Tennessee 37040

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the government-wide financial statements, the governmental activities, and each major fund of the Clarksville -Montgomery County Public Library, a component unit of Montgomery County, as of and for the year ended June 30, 2008, which collectively comprise the Clarksville -Montgomery County Public Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clarksville -Montgomery County Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Clarksville -Montgomery County Public Library Foundation, which represent 65 percent, 66 percent and 13 percent, respectively, of the assets, net assets and revenues of the Clarksville -Montgomery County Public Library. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for the Clarksville -Montgomery County Public Library Foundation, is based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the discretely presented component unit of the Clarksville -Montgomery County Public Library as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, on our consideration of Clarksville -Montgomery County Public Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Clarksville-Montgomery County Public Library has not prepared the Management Discussion and Analysis, required supplemental information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Schedule of Funding Progress for Pension Plan on page 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Clarksville-Montgomery County Public Library's basic financial statements. The budgetary information and schedule presented on pages 16 – 18 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary information and budgetary schedule have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

WEATHERSPON // LOWE // WALLACE

CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>General Fund</u>	<u>Gracey Fund</u>	<u>Memorial Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>	<u>Component Unit - Library Foundation 12/31/07</u>
<u>ASSETS</u>							
Cash on Hand	350	-	-	350	-	350	-
Cash in Bank	92,237	166,540	40,459	299,236	-	299,236	-
Restricted Cash	-	-	-	-	-	-	118,579
Restricted Investments	-	-	-	-	-	-	2,784,208
Customer Receivables (Note 15)	188,780	-	-	188,780	-	188,780	-
Allowance for Uncollectible Accounts	(94,390)	-	-	(94,390)	-	(94,390)	-
Prepaid Expenses	10,228	-	-	10,228	-	10,228	-
Interfund Receivable	48,959	-	-	48,959	(48,959)	-	-
Capital Assets, Net of Accumulated Depreciation (Note 8)	-	-	-	-	1,165,920	1,165,920	-
Total Assets	<u>246,164</u>	<u>166,540</u>	<u>40,459</u>	<u>453,163</u>	<u>1,116,961</u>	1,570,124	2,902,787
<u>LIABILITIES</u>							
Accounts Payable	7,064	-	-	7,064	-	7,064	-
Salaries and Benefits payable	203	-	-	203	-	203	-
Interfund Payable	-	-	48,959	48,959	48,959	-	-
Accrued Compensated Absences	<u>36,341</u>	-	-	<u>36,341</u>	-	<u>36,341</u>	-
Total Liabilities	<u>43,608</u>	<u>-</u>	<u>48,959</u>	<u>92,567</u>	<u>48,959</u>	43,608	-
<u>FUND BALANCES / NET ASSETS</u>							
Fund Balances:							
Reserved	-	-	-	-	-	-	-
Unreserved, Reported in:							
General Fund	202,556	-	-	202,556	202,556	-	-
Other Funds	<u>-</u>	<u>166,540</u>	<u>(8,500)</u>	<u>158,040</u>	<u>158,040</u>	-	-
Total Fund Balances	<u>202,556</u>	<u>166,540</u>	<u>(8,500)</u>	<u>360,596</u>	<u>360,596</u>	-	-
Total Liabilities and Fund Balances	<u>246,164</u>	<u>166,540</u>	<u>40,459</u>	<u>453,163</u>			-
Net Assets							
Invested in Capital Assets					(1,165,920)	1,165,920	-
Restricted					-	-	2,902,787
Unrestricted					(360,596)	360,596	-
Total Net Assets					-	1,526,516	2,902,787

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Gracey Fund</u>	<u>Memorial Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>	<u>Component Unit - Library Foundation 12/31/07</u>
Revenues:							
Montgomery County	1,527,251	-	-	1,527,251	-	1,527,251	-
Fines and Fees	162,000	-	-	162,000	-	162,000	-
Interest	1,537	2,697	-	4,234	-	4,234	110,796
Computer and Copy Machines	16,445	-	-	16,445	-	16,445	-
Gracey Trust Income	-	90,584	-	90,584	-	90,584	-
Memorial Income	-	-	9,161	9,161	-	9,161	-
Donations (Note 7)	712	-	-	712	-	712	-
Used Book Sales	-	-	-	-	-	-	-
Miscellaneous Income	4,494	-	-	4,494	-	4,494	-
Restricted Donations	-	-	-	-	-	-	49,644
Unrealized Gain on Investments	-	-	-	-	-	-	84,286
Gain on Sale of Investments	-	-	-	-	-	-	10,001
Bequests	-	-	-	-	-	-	-
Various Grants	-	-	-	-	-	-	-
Total revenues	1,712,439	93,281	9,161	1,814,881	-	1,814,881	254,727
Expenditures:							
Current:							
Salaries and Benefits	1,122,730	-	-	1,122,730	-	1,122,730	-
Communication Expenses	14,804	-	-	14,804	-	14,804	-
Custodial Services	10,445	-	-	10,445	-	10,445	-
Professional Services	23,716	-	-	23,716	-	23,716	6,700
Repairs and Maintenance	54,227	-	-	54,227	-	54,227	-
Supplies	48,500	-	-	48,500	-	48,500	-
Utilities	103,679	-	-	103,679	-	103,679	-
Printed Materials	258,924	-	15,939	274,863	(254,822)	20,041	-
Interest Expense	-	-	-	-	-	-	-
Insurance	8,131	-	-	8,131	-	8,131	-
Depreciation	-	-	-	-	386,861	386,861	-
Operating Expenses	-	-	-	-	-	-	-
Paid by Gracey Fund	-	-	-	-	-	-	-
Other	5,734	-	-	5,734	-	5,734	20
Library Support	-	-	-	-	-	-	201,000
Investment Fees	-	-	-	-	-	-	21,192
Capital Outlay:	-	-	-	-	-	-	-
Equipment and Furnishings	-	-	-	-	-	-	-
Total expenditures/ expenses	1,650,890	-	15,939	1,666,829	132,039	1,798,868	228,912
Excess (deficiency) of revenues over expenditures	61,549	93,281	(6,778)	148,052	(132,039)	16,013	25,815
Other financing sources:							
Transfers	17,950	-	(17,950)	-	-	-	-
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	79,499	93,281	(24,728)	148,052	-	-	-
Change in net assets	-	-	-	-	(132,039)	16,013	25,815
Fund balances/net assets:							
Beginning of year	123,057	73,259	16,228	212,544	1,297,959	1,510,503	2,876,972
End of year	202,556	166,540	(8,500)	360,596	1,165,920	1,526,516	2,902,787

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Clarksville -Montgomery County Public Library (the Library), for financial purposes, includes all of the funds for which the Library is considered to be financially accountable. The Library is a special purpose single-program government with only governmental activities. The Library is a Component Unit of Montgomery County Government. The board is comprised of members that are appointed by the Montgomery County Commission. The County provides approximately 85% of the revenues of the Library.

B. Combination Government -Wide and Fund Financial Statements

Combination government -wide and fund financial statements are presented for the Library since it is a special purpose single-program government al entity. The first four columns of the statements represent the fund financial statements of the Library. The second column from the right of the statements represents the government -wide financial statements for the Library. The adjustment column represents the adjustments necessary to reconcile the fund financial statements to the government -wide financial statements. The explanation s of the reconciling items are presented in Notes 2 and 3 of the notes to the financial statements.

C. Government Wide Financial Statements

The government -wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental activities for the Library.

Government -wide statements are prepared using an economic resources measurement focus and the accrual basis of accounting . Accordingly, all of the Library 's assets and liabilities are included in the accompanying statement of net assets.

The government -wide statement of activities presents the direct expenses and program revenues for the Library's activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid by the patrons of the Library for fines and fees for services offered and grants and contributions that have been obtained to meet the operational or capital requirements of the Library. The comparison of direct expenses with program revenues identifies the extent to which the Library is self-financed .

D. Fund Financial Statements and Measurement Focus

Fund financial statements report detailed information about the Library. The focus of the fund financial statements is on major funds rather than fund type. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which report on sources and uses of current financial resources.

E. Basis of Presentation and Measurement Focus

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library has only governmental type funds. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

Governmental Fund Types

Governmental fund types are used to account for the Library's general government activities. Governmental fund types include the following for the Library:

General Fund

The general fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes (not including major capital projects).

F. Property, Plant and Equipment

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated items are valued at their estimated fair value on the date donated. No interest was capitalized during the audit period.

Depreciation is computed on capital assets using the straight-line method over the following useful lives:

Furniture and Equipment	5 - 10 years
Building Improvements	10 years
Books	5 years

Property with an expected life of five years or greater and that is susceptible to misappropriation is capitalized. There is no dollar threshold.

G. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Library is subject to the accounting directives issued by the Governmental Accounting Standards Board (GASB) and, therefore, has adopted, in all material respects, the provisions of all applicable GASB pronouncements and all applicable pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, which do not conflict with GASB pronouncements.

The Library utilizes the modified accrual basis of accounting as required for governmental fund types. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

The Library considers revenues to be available if they are collected within sixty days of the end of the fiscal year. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

H. Donated Services

Donated services are not valued as contributions and are not recorded as expenditures.

I. Donated Supplies and Equipment

Donated supplies and equipment are recorded as gifts at fair market value on date donated. Supplies are recorded as expenditures at the same value and donated equipment is capitalized.

J. Accrued Compensated Absences

The Library accrues unused annual leave as compensated absences. Unused sick leave is not valued since it is paid only when actually used.

K. Major Funding

The Library is primarily funded by transfers of funds from Montgomery County. Cessation of funding by Montgomery County would have a major economic impact on the Library and might adversely affect the Library's ability to continue operations.

L. Grant Accounting

Grants are accounted for separately and separate bank accounts are utilized for large grants. The Library received no material grants during the audit period.

M. Insurance Paid

Insurance is expensed when recognized. Prepaid insurance is included on the balance sheet at June 30, 2008 in the amount of \$10,228.

N. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "interfund receivables and payables." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

O. Restricted/Unrestricted Resources Usage

The Library's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Other Significant Accounting Policies

Other significant accounting policies are described throughout the notes section of this audit report or are disclosed in the statement formats.

2. **RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	360,596
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>1,165,920</u>
Total net assets of governmental activities	<u><u>1,526,516</u></u>

3. **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total government funds	148,052
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were exceeded by depreciation in the current period.	<u>(132,039)</u>
Change in net assets of governmental activities	<u><u>16,013</u></u>

4. **BANK DEPOSIT INFORMATION**

Statement No. 40, "Deposit and Investment Risk Disclosures", of the Governmental Accounting Standards Board, states "If a government has no deposit or investment policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact." The Library does not have an official investment policy. Although there is no official investment policy for the Library, in order to provide a safe temporary medium for investment of the Library's idle funds, the Library invests those idle funds under the provisions of Tennessee Code Annotated 6-56-106. The Library is a passive investor, in that investments are held to until maturity. The investments made by the Library are authorized by Section 6-56-106 of the Tennessee Code Annotated. The City recognizes its investments may have one or more risks: (1) custodial credit risk, (2) concentrations of credit risk, (3) interest rate risk, and (4) foreign currency risk; however because of the relative safety of the investments authorized in T.C.A. 6-56-106 (a) 1-6 and 8, the exposure to risk is generally limited to interest rate risk.

State statutes authorize the Library to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federally chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the Library invested funds in regular demand deposits. At year-end the carrying amount of the Library's cash deposits was \$299,236 and the bank balances were \$329,555. The cash deposits at year-end were held by a bank that is a member of the Tennessee bank collateral pool.

5. GRACEY BEQUEST FUND

The Library was named as a beneficiary of a portion of the estate of Mrs. Donald Gracey. The principal of the bequest is held in trust for a period of thirty years from the settlement of the estate. Twenty-eight and one-half percent of the income from this trust is to be paid to the Library on at least a quarterly basis. Upon expiration of thirty years, twenty-eight and one-half percent of the trust corpus will be delivered to the Library. The estate was settled in 1992. During the current year, income of \$90,584 was donated to the Library. The bequest is to be used for general Library purposes as directed by its board. These unrestricted funds are accounted for as a separate, special revenue fund solely for information purposes.

6. MEMORIAL FUND

The Memorial Fund is used to receive and expense memorial and other special donations to the Library. The funds are generally unrestricted and are accounted for as a separate, special revenue fund solely for informational purposes.

7. COMPONENT UNIT

The Clarksville -Montgomery County Public Library Foundation is a legally separate, tax-exempt component unit of the Library. The Foundation's primary purpose is to provide assistance to the Library through fund raising activities and through the management, investment and administration of the funds under the Foundation's control. The funds raised by the Foundation are not to be used for the funding of day-to-day operations of the Library but for special programs, activities and capital projects. The three-member board is self-perpetuating and consists of residents of Montgomery County with diverse business, personal and professional experience. Although the Library doesn't control the timing or amount of receipts from the Foundation, the majority of the resources that the Foundation holds are restricted to Library purposes. Because these resources can only be used by or for the benefit of the Library, the Foundation is considered a component unit of the Library. The Foundation is required to disburse between 25% and 75% of the annual interest or dividends earned on Foundation investments during the previous year ending December 31. During the year ended June 30, 2008, the Foundation distributed \$201,000 to the Library for capital purposes.

The Foundation's year end, December 31, differs from the Library's year-end. The December 31, 2007 audited financial statements are included in the Library's June 30, 2008 basic financial statements. The Foundation's by-laws, adopted April 1, 2005, require the Foundation's accounts to be audited annually.

Complete financial statements for the Foundation can be obtained from Secretary/Treasurer, Clarksville - Montgomery County Public Library Foundation, 350 Pageant Lane, Suite 501, Clarksville, Tennessee, 37040.

8. CAPITAL ASSETS

Changes in the capital assets for the year were as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Depreciable Assets</u>				
Furniture, Fixtures, Equipment and Software	1,433,789	-	(60,316)	1,373,473
Building Improvements	47,441	-	-	47,441
Library Resources	<u>3,850,387</u>	<u>254,822</u>	<u>(74,370)</u>	<u>4,030,839</u>
Total	<u>5,331,617</u>	<u>254,822</u>	<u>(134,686)</u>	<u>5,451,753</u>
<u>Accumulated Depreciation</u>				
Furniture, Fixtures, Equipment and Software	1,156,240	45,944	(60,316)	1,141,868
Building Improvements	38,827	2,522	-	41,349
Library Resources	<u>2,838,591</u>	<u>338,395</u>	<u>(74,370)</u>	<u>3,102,616</u>
Total	<u>4,033,658</u>	<u>386,861</u>	<u>(134,686)</u>	<u>4,285,833</u>
<u>Capital Assets Net of Accumulated Depreciation</u>	<u>1,297,959</u>	<u>(132,039)</u>	<u>-</u>	<u>1,165,920</u>

The building and related facilities are furnished to the Library by Montgomery County and the City of Clarksville.

9. DEBT HELD BY COUNTY/CITY

The proceeds of a note payable were used to finance the renovation of the building and related facilities utilized by the Library. In January 1998, Montgomery County and the City of Clarksville each passed resolutions to make yearly repayments of the principal of this note. The total principal to be repaid each year is \$68,750. Beginning July 1, 2004 the County verbally agreed to take over the payments entirely. During the fiscal year ended June 30, 2008, the note was paid in full.

10. PENSION INFORMATION

A. Plan Description

Employees of the Library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining the system prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Library participate in the TCRS as individual entities and are liable for all costs associated with the operation

and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/ps>.

B. Funding Policy

The Library has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 14.09% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Library is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2008, the Library's annual pension cost of \$88,379 to TCRS was equal to the Library's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$88,379	100.00%	\$0.00
6/30/07	\$89,726	100.00%	\$0.00
6/30/06	\$77,167	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 87.46% percent funded. The actuarial accrued liability for benefits was \$1.35 million, and the actuarial value of assets was \$1.19 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.17 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.64 million, and the ratio of the UAAL to the covered payroll was 26.56% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether

the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Accrued Liability (ALL)</u> (b)	<u>Actuarial Unfunded AAL (UAAL)</u> (b)-(a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> ((b-a)/c)
7/01/07	\$1,185	\$1,355	\$170	87.46%	640	26.56%

11. MATERIAL RELATED PARTY TRANSACTIONS

There were no material related party transactions that should be disclosed in these financial statements.

12. SIGNIFICANT SUBSEQUENT EVENTS

There were no significant subsequent events that should be disclosed in these financial statements.

13. SIGNIFICANT CONTINGENT LIABILITIES

There were no significant contingent liabilities that should be disclosed in these financial statements.

14. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee Municipal League Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

15. CUSTOMER RECEIVABLES

There were customer receivables of \$188,780 and uncollectible amounts of \$94,390 which includes uncollectible, waived, or returned items. Gross customer receivables include not only fines and fees receivable, but also an amount due the Library for lost books. When a book is returned, the amount due the Library is reduced by the cost of the book, but the Library receives no cash in this situation. The estimate of uncollectible, waived and returned items is based on statistical information tracked by the Library of amounts due and amounts collected by month.

**CLARKSVILLE -MONTGOMERY COUNTY PUBLIC LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2008**

PENSION PLAN - SCHEDULE OF FUNDING PROGRESS FOR THE LIBRARY
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/07	\$1,185	\$1,355	\$170	87.46%	\$640	26.56%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial costs method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial costs method was a change made during the year and therefore only the most current year is presented.

**CLARKSVILLE -MONTGOMERY COUNTY PUBLIC LIBRARY
SUPPLEMENTAL INFORMATION
JUNE 30, 2008**

BUDGETARY INFORMATION

Through the budget, the Library Board of Trustees sets the direction of the Library and establishes its priorities. The annual budget assures the efficient and effective use of the Library's economic resources.

The annual budget serves from July 1 to June 30, and is used to communicate the Library's priorities to Montgomery County, the main source of support for the Library. It also provides the foundation for effective financial planning for the Library.

The Library Board of Trustees adopts an annual operating budget. This budget is presented to Montgomery County during County budget discussions before the County approves the Library subsidy for the upcoming year. The budget is not a legally adopted budget which requires formal amendment when variances from the budget occur. Line item budget variances are discussed with the Library Board of Trustees, and verbal consent is given for changes made in the budget.

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE – ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Montgomery County	1,527,251	1,527,251	-
Fines and Fees	100,000	162,000	62,000
Interest	1,000	4,234	3,234
Copy Machines	8,000	16,445	8,445
Gracey Trust	90,600	90,584	(16)
Memorial Income	10,000	9,191	(809)
Miscellaneous Income	7,000	4,494	(2,506)
Unbudgeted Income (Donations)	-	712	712
Total Revenue	<u>1,743,851</u>	<u>1,814,911</u>	<u>71,060</u>
<u>EXPENDITURES</u>			
Personnel	908,561	852,234	56,327
Fringe Benefits	293,089	270,496	22,593
Audit Services	6,500	5,500	1,000
Bank Charges	50	15	35
Communication	1,500	579	921
Contracts - Private Agencies	2,080	-	2,080
Data Processing Services	29,500	26,769	2,731
Debt Collection Services	12,000	14,463	(2,463)
Drug Control Services	540		
Dues and Memberships	500	605	(105)
Freight	6,000	3,180	2,820
Laundry	850	411	439
Lease Payments	7,700	5,446	2,254
Licenses	275	350	(75)
Maintenance Agreements	15,850	15,767	83
Repairs and Maintenance - Building	8,000	9,934	(1,934)
Repairs and Maintenance - Equipment	2,500	5,421	(2,921)
Pest Control	300	100	200
Postal Charges	12,000	5,542	6,458
Printing, Stationery, Forms	5,000	5,806	(806)
Travel	1,000	1,046	(46)
Tuition	1,000	610	390
Other Contracted Services	-	1,127	(1,127)
Custodial Supplies	12,000	18,387	(6,387)

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE – ALL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2008**

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Data Processing Supplies	11,000	8,799	2,201
Duplicating Supplies	2,500	1,543	957
Electricity	72,000	79,904	(7,904)
Food Supplies	50	22	28
Instructional Materials/Supplies	15,000	14,871	129
Library Materials	292,140	270,961	21,179
Natural Gas	25,000	20,028	4,972
Office Supplies	4,500	4,457	43
Periodicals	8,000	3,599	4,401
Water and Sewer	6,000	3,747	2,253
Building and Contents Insurance	3,600	3,754	(154)
Refunds	1,200	824	376
Workman's Compensation Insurance	3,700	4,377	(677)
Interest Payments	3,582	-	3,582
Data Processing Equipment	5,000	4,119	881
Furniture and Fixtures	1,000	1,387	(387)
Office Equipment	600	228	372
Other Equipment	1,000	-	1,000
Unbudgeted Expenses	-	421	(421)
Total Expenditures	<u>1,782,667</u>	<u>1,666,829</u>	<u>115,298</u>
<u>EXCESS REVENUE OVER</u>			
<u>(UNDER) EXPENDITURES</u>	<u>(38,816)</u>	<u>148,082</u>	<u>186,358</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.



November 21, 2008

Board of Trustees
Clarksville -Montgomery County Public Library
350 Pageant Lane
Clarksville, Tennessee 37040

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the governmental activities, each major fund and the discretely presented component unit of Clarksville -Montgomery County Public Library, a component unit of Montgomery County, as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 21, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Clarksville -Montgomery County Public Library Foundation, as described in our report on the Clarksville -Montgomery County Public Library. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clarksville -Montgomery County Public Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clarksville -Montgomery County Public Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clarksville -Montgomery County Library's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in the internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the

Clarksville -Montgomery County Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Clarksville -Montgomery County Library's financial statements that is more than inconsequential will not be prevented or detected by the Clarksville -Montgomery County Library's internal control. We consider the deficiency 08-1 described in the accompanying schedule of findings and responses to be a significant deficiency in the internal control over financial reporting.

A material weakness is a significant deficiency, or combinations of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Clarksville -Montgomery Library's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency listed in Schedule of Findings and Responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clarksville -Montgomery County Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the County Commissioners and other awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

WEATHERSPOON // LOWE // WALLACE

**CLARKSVILLE - MONTGOMERY COUNTY PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

08-1 MANAGEMENT OVERSIGHT OVER FINANCIAL REPORTING

We noted control deficiencies in management oversight of receivable s and book inventory . An adjusting entry was required for the Library's financial statements to be presented in conformity with generally accepted accounting principles.

RECOMMENDATION

We recommend management implement procedures to ensure that the financial statements are prepared in conformity with generally accepted accounting principles.

RESPONSE

Management has established procedures to ensure that all receivables have been recorded in a timely manner and that all financials are recorded in accordance with generally accepted accounting principles.